

Living up to the expectations: the new parliament and economic reforms

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The competition of economic agendas, messages and vows made by political parties and individual candidates during the parliamentary election campaign create a general impression of what Ukrainian voters see as an economic goal, a current priority of economic development. Although the campaign agendas were remarkably similar in their pledges to bring the Ukrainian economy out of the crisis, and although a substantial number of statements were mere declarations which did not take into account realities and mechanisms that may be changed only by means of changing the legislation, the analysis of economic pledges made by the parties that have passed the 4% barrier, and of individual candidates allows to judge about prospects for economic transformations.

The Right Wing of the Spectrum

The only national democratic party that made it to the parliament, the Ukrainian People's Movement Rukh believes that its major task is transformation of "the economy of a satellite" into a proper "national economy" and argues that "supporting a national manufacturer means not interfering with his actions". The idea of overcoming the crisis includes development of a sound taxation system that would discourage tax evasion by economic means. Furthermore, it is suggested that a new bill regulating local budgets should be adopted to provide for transparency and order of distribution of funds between budgets of different levels and introduction of a strict public accountability for spending of budget funds.

Similar economic objectives are likely to be pursued by national- democratic MPs who won their seats in constituencies. Together with the 43 MPs - members of the Rukh or elected on the Rukh list, right-wing approaches are likely to be pursued by 5-7 MPs - representatives of the Congress of Ukrainian Nationalists, the Ukrainian Republican party, the Christian Democratic party and the Social National party. On most of economic issues, this part of the legislature are likely to share the core centrist position instead of proposing their own economic initiatives.

The Center

The People's Democratic Party (PDP) claims that its first step will be "to halt the deterioration of living standards of the population and the decrease in economic production". According to the PDP, their efforts will ensure "gradual economic growth on the basis of stimulation of effective production, development of market relations" as soon as in 1999. No methods of the "stimulation" have been suggested so far, as well as no plausible reason why the agenda has not been implemented yet by the party members - key decision-makers, including prime minister of Ukraine. The PDP is represented by 27 members in the new parliament and is likely to be backed by most of 19 MPs who came to the parliament from state administrations of different levels and state agencies.

The PDP's most vocal challenger, Hromada, claims to find a remedy for the current economic crisis within the same period of time. If Hromada members come to power, they promise to "halt the avalanche-like decrease in national production and provide for creation of new jobs and to reduce unemployment by 5 times within 1998-1999", and claim that "there is a real possibility to ensure accelerated, stable development of the Ukrainian economy" from 2000 onwards. The last date means, probably, "after the October 1999 presidential election". There are 24 representatives of Hromada in the new parliament.

According to the Social Democratic Party (United), represented in the parliament by 16 MPs, the economic crisis in Ukraine may be countered by means of "giving priority to national manufacturers, protection of the national market, economic reforms in the interest, but not at the expense of the people (an obviously populist slogan, unless the party of businessmen and football fans intends to build up its image by means of engaging in advocacy of socially-oriented programs). Other economic intentions of united Social Democrats include reduction of Ukraine's dependence on imported energy, gradual

implementation of the policy of energy saving, and "combination of market economy with effective social security of citizens".

The Green party's economic agenda is focused on creation of conditions for private enterprise, promotion of environmental awareness, development of recycling technologies, and encouraging energy saving. The 19 Green MPs argue that the state needs thorough economic restructuring, and that priority should be given to agriculture, services, tourism, telecommunications, recycling of wastes. The list clearly reflects professional and business interests of new MPs elected to the parliament through the Green Party's list.

The centrist positions on a number of key economic issues, apparently, will be shared by most of 51 nonpartisan businessmen, elected to the parliament, 7 members of the Agrarian party, three representatives of the Reforms and Order and 35 independent candidates. (Note: the figures are based on the list of 413 MPs whose mandates have been officially recognized. Several cases, where results have been challenged in courts, are pending, and reelections are expected in a number of constituencies.)

The Left Wing

The most numerous - and homogenous - political force in the new parliament, the Communists claim to solve the whole set of economic problems by means of responding to regional features. Specifically, they will vow lobby development of enterprises and mines in the Donetsk and Luhansk mining area, the military-industrial enterprises of Dnipropetrovsk and Kyiv, metallurgy of Kryvyi Rih, machine-building plants in Kharkiv, shipyards in Mykolaiv and Kherson, electronics in Lviv, oils refineries in Poltava, chemical industry of Sumy and Luhansk, textile industry of Rivne, Zhytomyr and Chernihiv, fishing and seafood production in the Crimea, commercial shipments in Odesa, wood-processing industry in Western Ukraine and Crimean recreation facilities.

They promise to fill the market with quality goods for "socially available" prices, to encourage production and discourage "speculation" (i.e., trading) and shadow economy. Similarly to their likely opponents in the legislature, Communists offer no practical solutions to the issues, which allows to suspect that their real input into economic policy debates will be limited to obstructing market reforms and challenging the parliament with unimplementable social initiatives like raising salaries, pensions and social security benefits. 110 Communists have been elected to the parliament. Together with 35 Socialists-Peasants and 13 Progressive Socialists they may effectively obstruct efforts to pass pro-reform legislation.

Like Communists, members of the Socialist-Peasant bloc urge to restrict imports and advocate the policy of protectionism. As major economic objectives, they seek to "ensure beneficial exports of agricultural products to the CIS states", continue subsidizing production of meat, increasing state contracts for wheat, sugar beets, sunflower seeds, linen. They strongly object to privatization, particularly, privatization of land, and urge to maintain large-scale collective and state farms, and restore the national industrial production.

According to the Progressive Socialist Party (which may be out of the parliament if the judgment of a local court in Konotop (Poltava region) cancelling the election results as invalid due to numerous violations in the course of the election campaign remains in force, and if the total number of votes obtained by Progressive Socialists drops below the 4% pass mark, as a result), the economic problems can be cured by the introduction of a "state of economic emergency" for two or three months. Progressive Socialists claim to restore order in the state and ensure "justice in production, distribution and consumption of the national product". Other radical measures proposed by Progressive Socialists include reintroduction of state and public control, abolition of commercial secrets, fixed prices on energy and basic consumer goods.

Notwithstanding noticeable differences in political orientation, all economic agendas include a common pledge: protection of the national market and national manufacturer. Similarly, all political forces view entrepreneurial activity as a key component of ensuring national well-being. The main focus of their ideology has shifted from the abstract "population" that simply want to have a better living to the developing institutionalized business community with a clear idea of ways of accumulation of resources.

Ukraine, the breadbasket of the former Soviet Union, owns one fourth of the world's most fertile land, but is experiencing a severe economic crisis of agrarian production. Notwithstanding Leonid Kuchma's declarations of his intention to reform the agrarian sector and promote privatization of land, little progress has been achieved so far. Collective and state farms continue to press for state subsidies and special low- or no- interest loans which remains a burden to the national budget and contribute to inflation and the lack of economic stability.

Political parties that have their representatives in the new parliament constructed their economic agendas so that to attract rural voters. However, their perspectives on the agrarian sector differ substantially regarding the key issue: the right to own land.

The Right Wing

Although admitting the urgent need to reform the agrarian sector and reorganize the agrarian production, the Rukh argues that the land ownership should be maintained in the hands of Ukrainian people and calls on creation of an "effective agrarian economy with equality of all forms of management". The Rukh advocates the broadest possible assistance to private farms by means of adopting a stimulating legislation and providing for favorable taxation and lending policies.

The Center

Most of centrist leaders stand for unconditioned privatization of land, seeing the process not only as a key factor of developing agricultural production, but of enhancing stability and encouraging investment in agriculture, as well as in other spheres of the economy. According to the People's Democratic Party, the reform of property relations makes an important ingredient to the transformation strategy, arguing that "the basis of a market economy is an organic combination of forms of ownership" and that "land is the property of those who work on it. Therefore, they advocate introduction of a state-regulated land market, oppose the state-imposed dumping purchase prices for agricultural products and suggest to provide long-term low- interest development loans to peasants.

Members of the Social Democratic Party (United) regard privatization of land and other reforms of the agrarian sector in the context of the general economic transformation. They argue that agrarian reforms should begin with regulation of the taxation system, adjustment of the tax collection mechanism and provision of equal rights to all forms of property. Like their left-wing colleagues, the SDPU members condemn "ruination of the Ukrainian village" and "unfair privatization", advocate state support for the agro-industrial complex and balance of prices for industrial and agrarian products.

Similarly, other centrist parties support equality of all forms of property, including private ownership of land. For instance, Hromada declares its key tasks to be "reforms of the relations of land ownership on the basis of multisector economy" and the "formation of an effective owner on the land." Hromada pledges "profound state support for the village" which includes development of infrastructure in rural areas, processing industry, allocation of billions of hryvnias for development of the social security sphere, encouraging "economically strong peasants" and state protectionism for national agrarian manufacturers in the domestic and foreign markets.

The Left

The left-wingers's perspectives on economic reforms in the agrarian sector, particularly on the issue of ownership of land, differ radically from the right-wingers' and the centrists' views. The members of the Socialist-peasant bloc dismiss trading in land parcels that are suitable for agrarian production as "positively unacceptable" and object to selling land to foreign entities and individuals. In order to promote stabilization of the agrarian sector, they intend to promote changes to the pricing and crediting policies and call for support of large- scale agrarian production (i.e., collective and state farms), state protectionism and social guarantees to peasants.

The Communists pay noticeably less attention to the issue of agrarian reforms and possible land ownership, confining themselves to the promise that "a peasant will be able to work in a collective or state farm, or an individual farm".

Progressive Socialists pledge to support collective farms state protectionism in foreign economic activities and protection of the domestic market, and strongly oppose privatization of land.

Therefore, the Verkhovna Rada is likely to achieve consensus on at least several economic issues: greater state protectionism, granted primarily to state-owned large-scale industrial and agrarian

manufacturers. While taxation laws are likely to undergo changes, those will favor manufacturers of "strategic export" products at the expense of small and medium businesses as well as individuals. Notwithstanding the relatively large number of business people in the new parliament, prospects for economic liberalization are murky, as most of individual businessmen - turned MPs are more likely to lobby their own interests in the first turn, and general liberalization for all may make them face stronger competition. The issue of large-scale privatization of land is likely to remain unresolved at least until after the 1999 presidential election.

Any improvement of the social-economic situation is not in the interests of presidential pretenders as long as it may be interpreted as Leonid Kuchma's success.